

Stakeholder Comments Template

**Integration of Transmission Planning and Generation
Interconnection Procedures (TPP-GIP Integration)
Straw Proposal, July 21, 2011**

Submitted by	Company	Date Submitted
Sandeep Arora sarora@lspower.com 925.201.5252	LS POWER DEVELOPMENT LLC	8/9/11

This template is for submission of stakeholder comments on the topics listed below, covered in the TPP-GIP Integration Straw Proposal posted on July 21, 2011 and discussed during the stakeholder meeting on July 28, 2011.

Please submit your comments below where indicated. At the end of this template you may add your comments on any other aspect of this initiative not covered in the topics listed. If you express support for a preferred approach for a particular topic, your comments will be most useful if you explain the reasons and business case behind your support.

Please submit comments (in MS Word) to TPP-GIP@caiso.com no later than the close of business on Tuesday, August 9, 2011.

1. The ISO has laid out several objectives for this initiative. Please indicate whether your organization believes these objectives are appropriate and complete. If your organization believes the list to be incomplete, please specify what additional objectives the ISO should include.

LS Power believes that an additional objective for this initiative should be to ensure that the interconnection procedures developed from this initiative will minimize any delays to interconnection study completion and GIA execution for projects in the queue.

Generation projects that are in ISO's queue should have their studies completed and be tendered GIAs under the timelines that existed in the ISO tariff at the time these projects paid their deposits and entered the queue.

Development schedules designed to meet commercial obligations are typically based on the published ISO tariff study timelines. LS Power would caution ISO that any delays to the interconnection study timelines could lead to failure of otherwise successful projects. Therefore, we recommend that nothing proposed within this initiative should delay the interconnection study process.

2. At the end of the Objectives section (section 4) of the straw proposal, the ISO lists seven previously identified GIP issues that may be addressed within the scope of this initiative.
 - a. Please indicate whether your organization agrees with any or all of the identified topics as in scope. If not, please indicate why not.
 - b. Please identify any other unresolved GIP issues not on this list that should be in scope, and explain why.

Out of the seven previously identified GIP issues (under Objective #7), LS Power believes that 7a) and 7g) are most important to be further discussed in this initiative.

3. Stage 1 of the ISO's proposal offers two options for conducting the GIP cluster studies and transitioning the results into TPP.
 - a. Which option, Option 1A or Option 1B, best achieves the objectives of this initiative, and why? Are there other options the ISO should consider for structuring the GIP study process?
 - b. What, if any, modifications to the GIP study process might be needed?

LS Power believes Option 1B best meets the objectives stated by CAISO for GIP-TPP integration. To reinforce our additional recommended objective of keeping GIP timelines intact to maintain project viability, LS Power recommends limiting the use of Option 1B only for finalizing Delivery Network Upgrades for GIP projects. All Reliability Network Upgrades should continue to be studied and finalized under the existing GIP process.

ISO's straw proposal states that ISO's Annual Transmission Plan

"...would identify transmission upgrades and additions recommended for Board approval as reliability, economic or policy driven transmission elements. Then the plan would identify the extent to which those elements will meet some or all of the network upgrade needs of ICs in the latest cluster, and will identify any additional network upgrades not recommended for approval as rate-based transmission that are needed to fully meet the needs of the ICs in the cluster, with estimates of the costs of these additional upgrades..."

This proposal does not make any distinction between Reliability Network Upgrades (RNU) and Delivery Network Upgrades (DNU). Our read of the

proposal is that ISO is proposing to optimize all Network Upgrades for GIP projects through TPP process.

LS Power recommends that the CAISO not study RNUs in the TPP process as it will likely cause delays for all projects, could offer misfit solutions, and will likely not produce CRR incentives to projects that only require small RNUs to interconnect. We believe that only DNU should be considered to be optimized using GIP-TPP integration.

There are several reasons why we believe RNUs should continue to be finalized through GIP process:

- (1) Integrating all Network Upgrades from GIP with TPP will cause unnecessary delays for all projects

CAISO should ensure that the interconnection procedures developed within this initiative should minimize study delays for projects in the queue. If all Network Upgrades from GIP are integrated with TPP, the likely outcome will be delays to most or all projects. ISO must realize that some projects may need only minor RNUs, such as Energy Only projects or expansions to an earlier project in the queue. This proposal could cause delays for those projects. If ISO limits the scope of this initiative by only integrating DNUs for projects with TPP, it will reduce the amount of study delays.

- (2) TPP is not the appropriate forum for RNU determination

RNUs for generation projects are “unique” to each project, and are typically local (to the project) in nature, relatively low-cost and are upgrades which require less lead-time. RNUs are typically items such as new bay in a station, new loop in switchyard; or a CB replacement.. While DNUs, as triggered by TPP, can be used by some or all projects in a GIP cluster, the same integration for RNUs may not lead to the same meaningful results. Renewable portfolios within the TPP can be studied to identify what RNUs are needed; however, RNUs triggered through TPP may or may not be useful for GIP projects. The GIP process goes into much greater details in terms of solving Engineering, Design, Environmental/Permitting and other technical issues which could be very unique to individual projects. Indulging in this level of detail within TPP for identifying RNUs for Renewable Portfolios stemming from the CPUC LTTP process (the generation behind which could be quite different from generation within ISO queue) rather than performing this analysis for specific projects in the Cluster, does not seem to be a meaningful exercise. Conducting the RNU identification analysis within TPP will add unnecessary study time and will potentially identify upgrades that may not be utilized by Generation projects in the Cluster.

(3) RPS Portfolio Assumptions vs. Generation in the Queue Clusters

There are potentially a significant number of projects that may be otherwise actively proceeding with development activities but may not be within CPUC RPS planning portfolios. This could especially be the case if a GIP project does not fall under one of the identified Competitive Renewable Energy Zones (CREZ). Under the current proposal, such projects will always need to fund their network facilities without getting any reimbursement. This could potentially make an otherwise viable outside REZ project less competitive in comparison to a project which is under a CREZ; which would be an undesirable outcome.. Again, in order to minimize situations like these, all GIP projects regardless of whether they are within a Portfolio or not, should get at least their RNUs built through GIP, under the reimbursement provisions that exist today.

(4) Merchant CRRs are not an appropriate incentive for funding RNUs

IC Upfront funding for RNUs should continue to be reimbursed as per existing tariff rules. Under the ISO proposal, Network Upgrades that are not triggered through TPP, but that are required to interconnect projects in a GIP cluster will be identified but the IC will need to individually fund these upgrades. In return the IC could be allocated CRRs. RNUs are typically items such as new bay in a station, new loop in switchyard; CB replacement etc. These upgrades do not increase system transfer capability, so it is unclear what CRRs could be allocated to ICs for Energy Only projects that fund building RNUs. Therefore, we believe that all RNUs should continue to receive reimbursement under the current tariff rules.

LS Power proposes that Phase 1 GIP studies should take place as usual. Between Phase 1 and Phase 2 studies, all projects should continue to have an option to select the Deliverability level they would like to move forward with in Phase 2. DNU determination portion of Phase 2 process for all relevant projects can be integrated with TPP. Some projects may potentially qualify for re-imbursement of upfront funding of DNUs (as determined in Stage 2). RNU determination for all projects should take place as usual within the GIP process. All projects should continue to get re-imbursement for upfront funding of RNUs.

4. Stage 2 of the straw proposal adds a step to the end of the TPP cycle, in which the ISO identifies and estimates the costs of additional network upgrades to meet the interconnection needs of the cluster. Please offer comments and suggestions for how to make this step produce the most accurate and useful results.

If all RNUs continue to be identified through GIP process, this step will require determination of additional DNUs only, which will be more easily manageable. If additional RNUs get identified in this step as well, then there is a potential for

delay in the study process. Moreover, RNUs required to interconnect TPP portfolio projects may not necessarily be the same (and useful) as required for GIP projects, so there is a potential for numerous additional studies. It is best to identify all RNUs through the GIP process to ensure that these are accurately finalized based on unique needs for each interconnection projects.

5. Stage 3 of the straw proposal identifies three options for allocating ratepayer funded upgrades to interconnection customers in over-subscribed areas.
 - a. Please identify which option, Option 3A, 3B, or 3C, your organization prefers and why. Are there other options the ISO should consider?
 - b. If Option 3A is selected, what are appropriate milestones to determine which projects are the “first comers?”
 - c. If Option 3B is selected, what is the appropriate methodology for determining pro rata cost shares?
 - d. If Option 3C is selected, how should such an auction be conducted and what should be done with the auction proceeds from the winning bidders?
6. The straw proposal describes how the merchant transmission model in the current ISO tariff could apply to network upgrades that are paid for by an interconnection customer and not reimbursed by transmission ratepayers. Do you agree that the merchant transmission model is the appropriate tariff treatment of such upgrades, or should other approaches be considered? If you propose another approach, please describe the business case for why such approach is preferable.
7. Stage 3 of the proposal also addresses the situation where an IC pays for a network upgrade and later ICs benefit from these network upgrades.
 - a. Should the ISO’s role in this case be limited to allocating option CRRs to the IC that paid for the upgrades?
 - b. Should the ISO include provisions for later ICs that benefit from network upgrades to compensate the earlier ICs that paid for the upgrades?
8. In order to transition from the current framework to the new framework, the ISO proposes Clusters 1 and 2 proceed under the original structure, Cluster 5 would proceed using the new rules, and Clusters 3 and 4 would be given an option to continue under the new rules after they receive the results their GIP Phase 1 studies.

- a. Please indicate whether you agree with this transition plan or would prefer a different approach. If you propose an alternative, please describe fully the reasons why your approach is preferable.
- b. If the straw proposal for the transition treatment of clusters 3 and 4 is adopted and a project in cluster 3 or 4 drops out instead of proceeding under the new rules, should the ISO provide any refunds or other compensation to such projects? If so, please indicate what compensation should be provided and why.

The proposal does not discuss transition needs for any projects that entered the ISO queue as a Small Generation Interconnection Request (SGIP), but LS Power believes that such projects should continue to be processed under the current GIP rules and this new proposal should not apply to these projects.

Per the proposal, it is contemplated that ... *“Clusters 3-4 ... could be given a decision point after their GIP Phase 1 studies to decide whether to enter into the next phase – either a GIP phase 2 under option 1A, or directly into the new stage 2 under option 1B...”* Also the proposal states that CAISO expects implementing Option 1A will delay the scheduled start of Phase 2 for Clusters 3-4.

LS Power is concerned that the proposal in its current format will cause potential delays in study completions for all projects in the queue. If both Option 1A & 1B eventually become available for all C3 & C4 projects, then the current proposal should be further enhanced. Study timelines should be developed for C3 and C4 projects being processed under Option 1A vs. Option 1B. It should be ensured that if a project chooses to go directly into Phase 2, per Option 1B, then there should be no study delay for such projects from the established study timelines. These projects should not have to wait for other projects that chose Option 1A for study completion and issuance of GIA. Also, as per LS Power’s proposal under Question 3, if a project only needs RNUs (such as Energy-Only project) and not DNUs then the project should be able to execute a GIA more quickly than provided for under the current tariff timelines, as such projects will not need to go to Annual TPP for evaluation.

9. Some stakeholders have expressed a need for the ISO to restudy the need for and costs of network upgrades when projects drop out of the queue. The ISO seeks comment on when and restudies should be conducted, in the context of the proposed new TPP-GIP framework.

ISO should exercise caution in allowing re-studies. Any re-study work done for a cluster (due to some projects dropping out) should not delay study completion and GIA execution schedule for other active projects that remain in the queue. Projects that stay active in the cluster should not have to wait for these post Phase 2 studies to be completed and should be allowed an opportunity to execute a GIA based on existing studies. After any re-studies are done, projects

that did not trigger the need for re-studies could be given an opportunity to incorporate revised studies by means of GIA amendment, provided that revised studies do not increase the original Phase 2 costs for these projects.

10. Some stakeholders have suggested that there may be benefits of conducting TPP first and then have developers submit their projects to the GIP based on the TPP results. Does your organization believe that conducting the process in such a manner is useful and reasonable?
11. Please comment below on any other aspects of this initiative that were not covered in the questions above.

LS Power recommends that ISO reduces the scope of this initiative by requiring only Delivery Network Upgrades to be sent to the TPP. Reliability Network Upgrades should continue to be processed under GIP using the existing study timelines and upfront funding reimbursement protocols.

Cluster 3 & 4 generation projects entered the queue by making very significant study deposits, with the expectation of being processed under the effective tariff guidelines. These ISO tariff guidelines are heavily relied upon by ICs for making investment plans and providing accurate COD timelines to potential customers. Changing the rules of interconnection mid-stream could potentially make several otherwise viable projects non-competitive. ISO should try to minimize the impact of this change by narrowing the scope of this initiative and only integrating GIP-TPP process for building DNUs. Projects that only have RNUs should continue to be processed using existing rules.